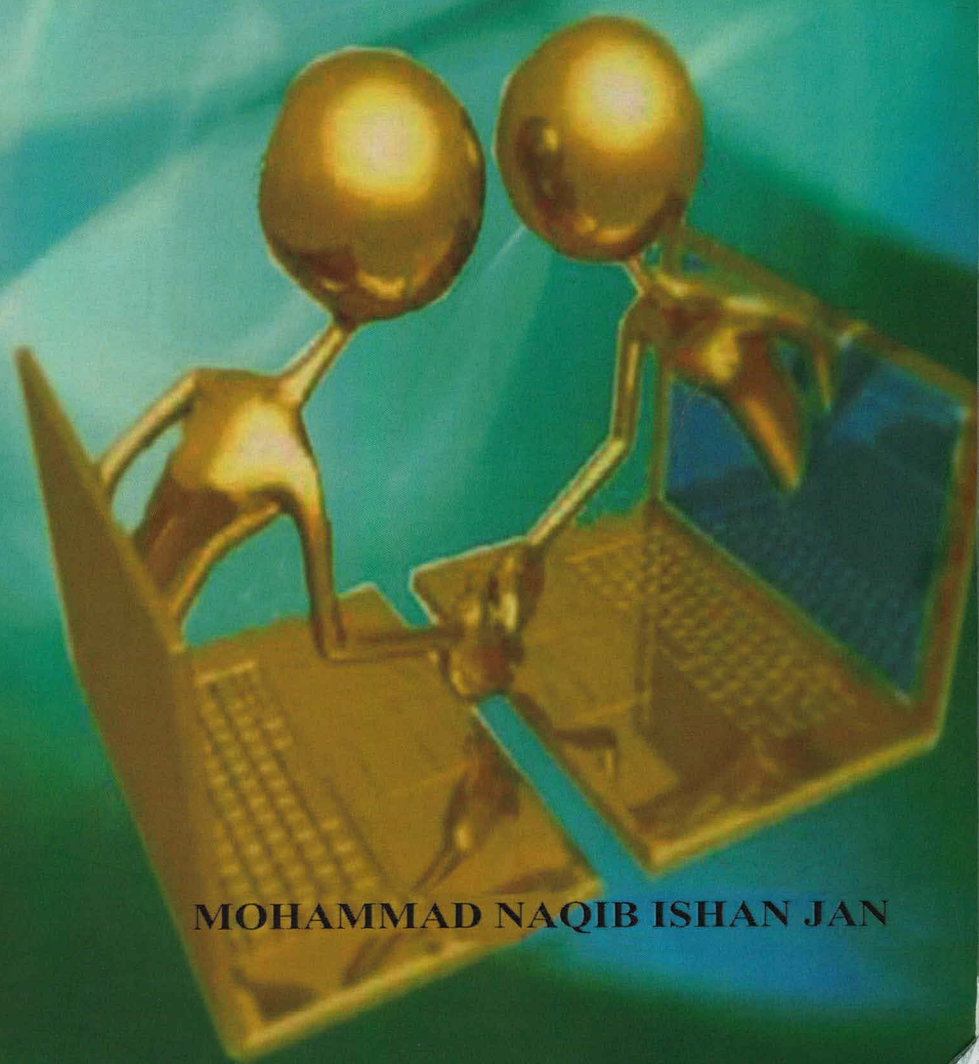


# **LAW AND COMMERCE : THE MALAYSIAN PERSPECTIVE**



**MOHAMMAD NAQIB ISHAN JAN**

# **LAW AND COMMERCE: THE MALAYSIAN PERSPECTIVE**

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## CHAPTER 22

# **NEGOTIABLE INSTRUMENTS**

*by*

NURDIANAWATI IRWANI ABDULLAH

The law of negotiable instruments in Malaysia is governed by the Bills of Exchange Act, 1949 (revised 1978). This Act is mainly based on the English Bills of Exchange Act, 1882 and the English Cheques Act, 1957. However, the cut-off date for the application of English Commercial Law in Peninsular Malaysia (excluding Malacca and Penang) was on 7 April 1956, thus, English Law may not continue to apply to these states after that date.

The general rule is that the contract between two parties cannot confer any rights or impose liabilities on a third person on the basis of rule of privity to contract. However, there are some exceptions in which rights under the contract can be transferred to a third party under the following circumstances:

1. By operation of law; in the case of death or bankruptcy.
2. By novation; where parties to a contract agree, that a third person shall replace one of them and all three agree to the new arrangement.
3. By assignment; the debtor is only bound to pay assignee when he has received notice of the assignment.
4. By statute; for example, negotiable instruments, copyrights, etc.